

Press Release

Gokul Dairy Products (GDP)

March 20, 2017

Rating Reaffirmed

Total Bank Facilities Rated	Rs.12.00 Cr
Long Term Rating	SMERA BB/Stable (Reaffirmed)

SMERA has reaffirmed the long term rating of '**SMERA BB**' (read as **SMERA double B**) on the Rs 12.00 cr bank facility of Gokul Dairy Products (GDP). The outlook is '**Stable**'.

Gokul Dairy Products (GDP) is engaged in the processing of milk and manufacturing of value added products like ghee, paneer, curd, butter among others. The products are sold under the 'Kaveri' brand.

List of key rating drivers and their detailed description

Strengths:

Established track record of operations and experienced management

GDP was established in 2007. The firm was promoted by Mr. K. N. Krishna Murthy who possesses over two decades of experience in the dairy industry.

Comfortable coverage indicators

GDP has comfortable coverage indicators with interest coverage ratio (ICR) of 2.06 times and DSCR of 1.68 times in FY2016.

Weaknesses

Moderate scale of operations

GDP registered modest scale of operations with revenue of Rs.52.12 cr in FY2016 as compared to Rs. 50.18 cr in FY2015.

High gearing and low net worth base

GDP has high gearing (debt to equity) ratio of 2.47 times as on March 31, 2016. The total debt increased from Rs. 7.73 cr in FY2015 to Rs. 9.04 cr in FY2016. The firm has net worth base of Rs. 3.66 cr in FY2016 as against Rs. 3.48 cr in FY2015. The PAT margins have been constant at ~1 per cent.

Risk of capital withdrawal

GDP is exposed to risk of capital withdrawal due to the partnership constitution of the firm.

Fragmented and competitive nature of business

The firm is exposed to intense competition from organised and unorganised players in the dairy industry affecting profitability.

Outlook: Stable

SMERA believes that GDP will maintain a stable outlook and continue to benefit over the medium term owing to the extensive experience of the promoter. The outlook may be revised to 'Positive' if the scale of operations increases substantially while improving operating profitability and coverage indicators. Conversely, the outlook may be revised to 'Negative' in case of failure to achieve scalability amidst intensifying competition in its area of operation or deterioration in the financial risk profile. Any higher-than-expected increase in debt-funded capex or working capital requirement may also entail a 'Negative' outlook.

About the Rated Entity

The firm reported net profit of Rs. 0.53 cr on net sales of Rs. 52.12 cr in FY2016 as compared with net profit of Rs.0.45 cr on net sales of Rs.50.18 cr in FY2015. The net worth stood at Rs. 3.66 cr in FY2016.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument
<https://www.smera.in/criteria-complexity-levels.htm>
Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Cr)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	4.79	SMERA BB/Stable (Reaffirmed)	8 Jan, 2016	SMERA BB/Stable (Assigned)	-	-	-	-
Term Loan	LT	0.10 (Reduced from 0.15)	SMERA BB/Stable (Reaffirmed)	8 Jan, 2016	SMERA BB/Stable (Assigned)	-	-	-	-
Proposed Cash Credit	LT	5.11 (Enhanced from 1.71)	SMERA BB/Stable (Reaffirmed)	8 Jan, 2016	SMERA BB/Stable (Assigned)	-	-	-	-
Proposed Term Loan	LT	2.00	SMERA BB/Stable (Reaffirmed)	8 Jan, 2016	SMERA BB/Stable (Assigned)	-	-	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr)	Ratings
Cash Credit	NA	NA	NA	4.79	SMERA BB/Stable (Reaffirmed)
Term Loan	NA	NA	September 2017	0.10	SMERA BB/Stable (Reaffirmed)
Proposed Cash Credit	NA	NA	NA	5.11	SMERA BB/Stable (Reaffirmed)
Proposed Term Loan	NA	NA	NA	2.00	SMERA BB/Stable (Reaffirmed)

ABOUT SMERA

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